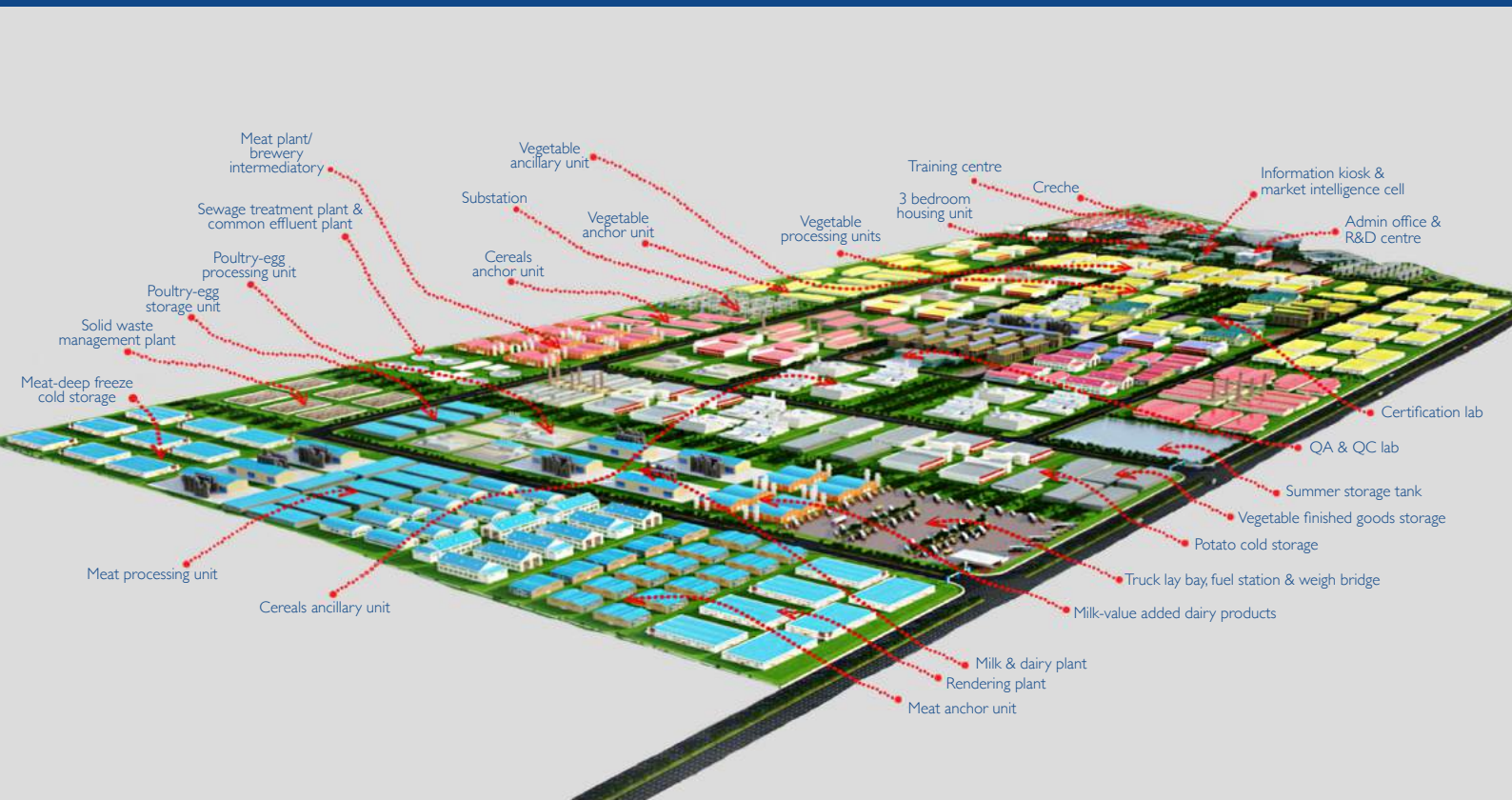


INTEGRATED AGRO-INDUSTRIAL PARKS (IAIPs) IN ETHIOPIA



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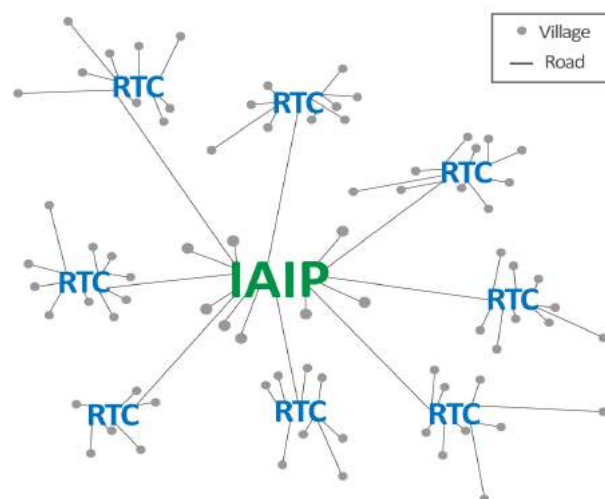
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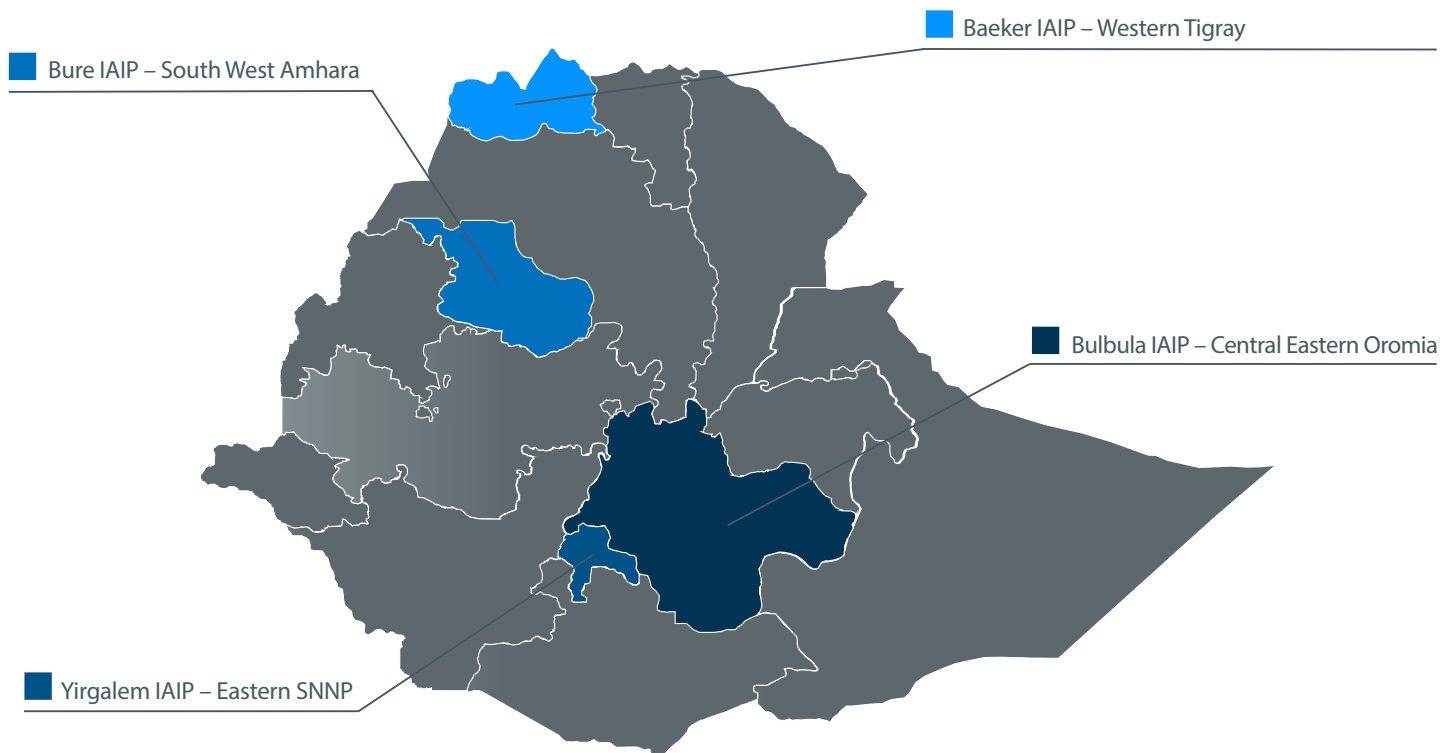
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- An integrated agro-industrial park (IAIP) is a geographic cluster of independent firms grouped together to gain economies of scale and positive externalities by sharing infrastructure and taking advantage of opportunities for bulk purchasing and selling, training courses and extension services.
- IAIPs will include open area production zones, controlled environment growing, precision farming, knowledge hubs and research facilities, rural hubs, agri-infrastructure, collection centres, primary processing hubs, social infrastructure and agri-marketing infrastructure, among others.
- IAIPs will have modern infrastructure. General infrastructure includes: roads, power, water, communications, drainage, sewerage, a sewage treatment plant and an effluent treatment plant, among other infrastructure.
- Specialized infrastructure consists of cold storage units, quarantine facilities, quality control labs, quality certification centres, raw material storage and central processing centres, among other specialized infrastructure.
- Each IAIP is served by a network of rural transformation centres which provide linkages to producers.





Description	Location - Central Eastern Oromia
Crops	Wheat, barley, haricot bean, fava bean, tomato, potato, fruits and vegetables, dairy, fish, poultry, honey and meat
Growing area available	334,971 hectares
Total area of IAIP	263.00 hectares

Oromia Region

Bulbula
IAIP Total area
263 ha



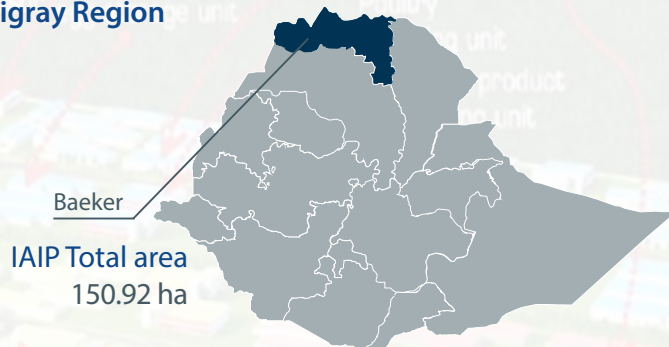
IAIP Internal Infrastructure Details

Water provision	6660 m ³ /day
MSW generation	59.38 TPD
Power demand	38.61 MVA
Initial investment	USD 72.15 million
Investment over four years	USD 179.88 million
Profit after tax	Year 1: USD 84.4 Year 2: USD 53.9 Year 3: USD 5.96
IRR	17.09% (13 years of operation)
Payback period	3 years



Description	Location - Western Tigray
Crops	Sorghum and sesame, fruits and vegetables, honey, dairy, meat and other animal products
Growing area available	524,706 hectares
Total area of IAIP	150.92 hectares

Tigray Region



IAIP Internal Infrastructure Details

Water provision	6777m ³ /day
MSW generation	55.08 TPD
Power demand	45.47 MVA
Initial investment	USD 72.67 million
Investment over four years	USD 181.18 million
Profit after tax	Year 1: USD 122.48 million Year 2: USD 54.49 million Year 3: USD 6.04 million
IRR	17.09% (13 years of operation)
Payback period	3 years



Description

Location - Eastern SNNP

Crops

Cereals, coffee, fruits and vegetables, dairy, meat and other animal products

Growing area available

163,461 hectares

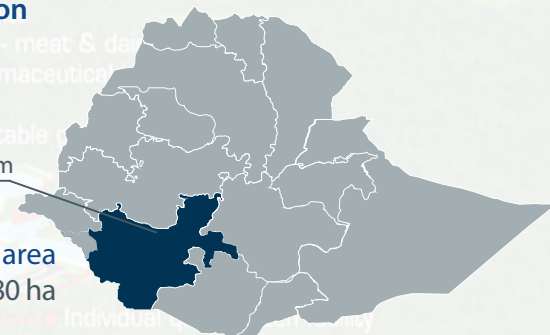
Total area of IAIP

108.80 hectares

SNNP Region

Yirgalem

IAIP Total area
108.80 ha



IAIP Internal Infrastructure Details

Water provision

4634 m³/day

MSW generation

44.93 TPD

Power demand

36.46 MVA

Initial investment

USD 51.55 million

Investment over four years

USD 128.53 million

Profit after tax

Year 1: USD 61.42 million

Year 2: USD 39.17 million

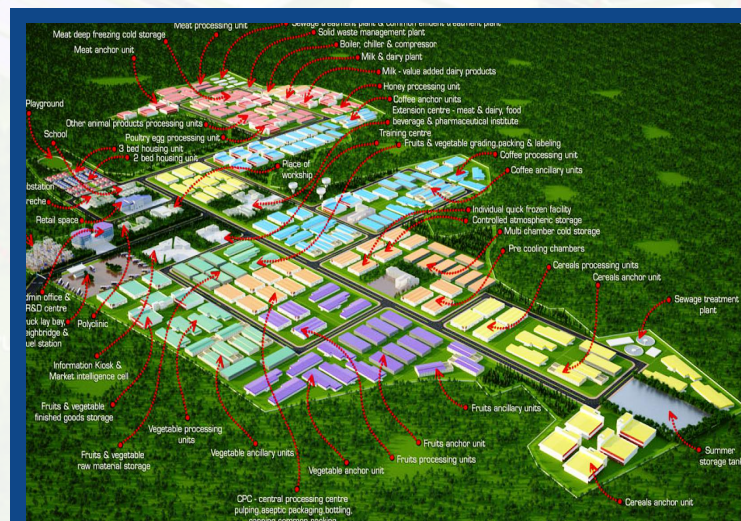
Year 3: USD 4.53 million

IRR

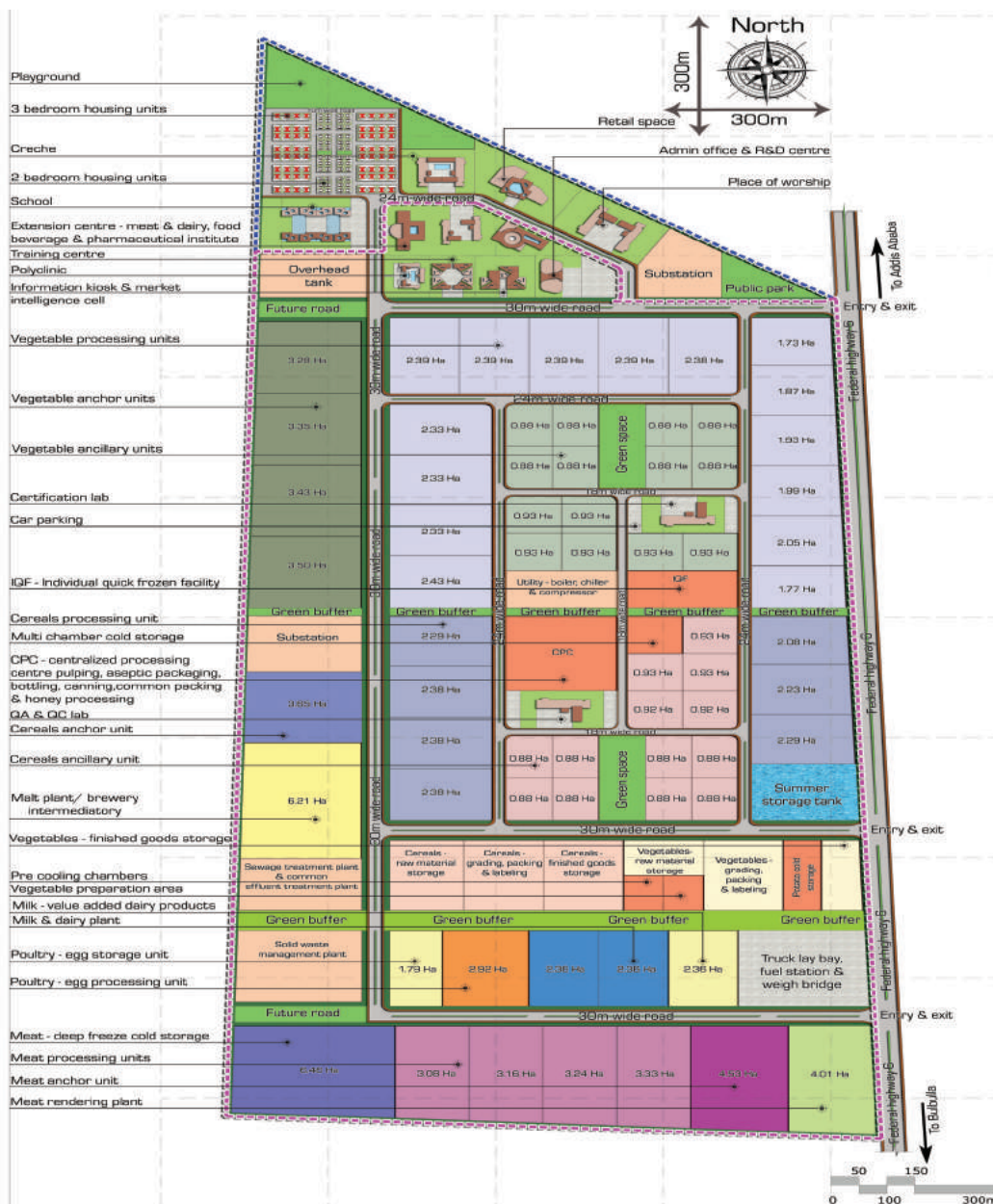
17.3 % (13 years of operation)

Payback period

3 years



Sample masterplan - Oromia IAIP



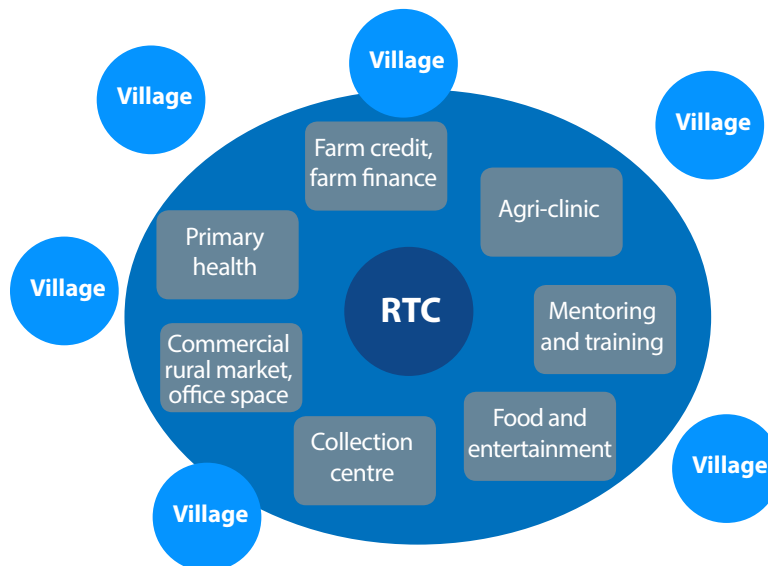
Rural transformation centres

The Government of Ethiopia will establish rural transformation centres to serve as raw material aggregation points in the catchment areas (100 km radius) of each IAIP.

- **Rural transformation centres** include warehouses, input supply, sorting, grading, extension services, pre-processing activities and microfinance.
- **Public and private partners** support farmers

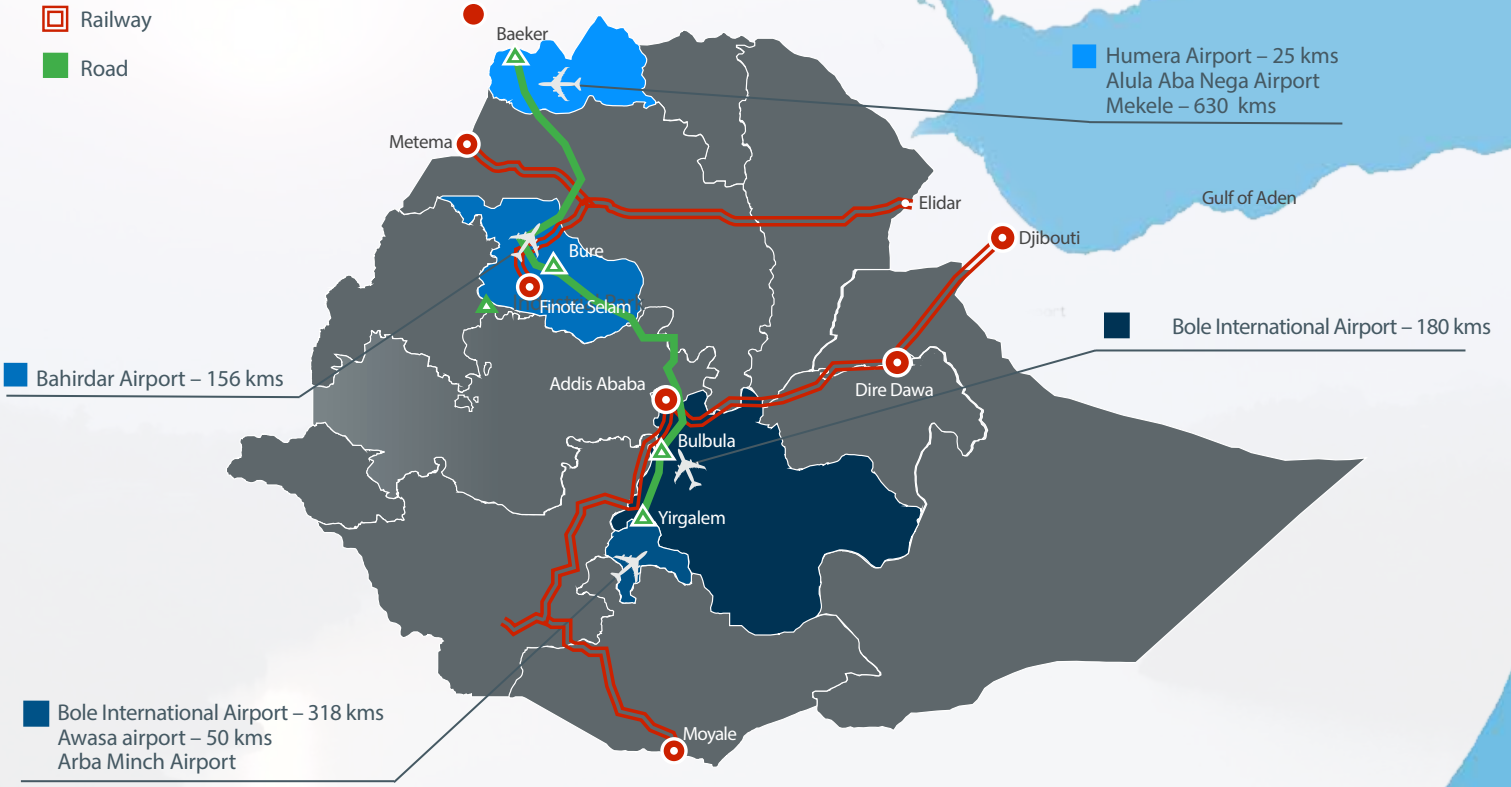
to increase production and productivity to supply raw materials of required quantity and quality to the industries in the parks.

- **Market information centres** will provide information on business development, prices, market trends, and current market demand in terms of products and quality, among other services.





- Tigray – Western Tigray
- Oromia – Central Eastern Oromia
- Amhara – South Western Amhara
- SNNP – Eastern SNNP
- Railway
- Road





- **Agri-inputs:** bioenergy, greenhouse cultivation, agri-chemicals, renewable energy.
- **Agri-infrastructure:** energy management, mechanization and transport, storage facilities, bulk material handling.
- **Agri-food processing:**
 - Fruit juice/pulp/slice/concentrate/dehydration
 - Tomato paste and puree
 - Starch
 - Coffee and tea
 - Vegetable pickling
 - Spice powder, oils and oleoresin
- Grading and packing pure spices
- Essential oils from herbs
- Floral concentrates
- Vegetable oil and other products
- Bakery, confectionery
- Energy foods
- Flour milling
- Others
- **Capacity-building:** agri-research, training hub, agri-lab and clinic, extension services, vocational training.
- **Others:** agri-tourism, rural financing, crop insurance.



Coffee

Ethiopia produces the best Arabica coffee in the world and is known for having a wider genetic variety of coffee than any other coffee producing country. Ethiopian coffee is well known for its special aroma and flavour, a uniqueness that makes it preferable for blending with coffee from other countries. Currently, Ethiopia is among the top five coffee exporters in the world.

Sesame

Production of sesame in the country has doubled in the past five years. Ethiopia produces a variety of different sesame seeds which are highly valued on the international market. Currently, there are efforts to improve yields and there is potential to expand sesame seed production in Ethiopia through additional land cultivation.

Meat

With a cattle population of 55 million, Ethiopia ranks first in Africa and tenth globally. Meat processing in Ethiopia holds enormous potential for development as it is currently largely undertaken through traditional practices on a small scale. Ethiopia already has well-established partners in the meat trade, including Cote d'Ivoire, Congo Brazzaville, Dubai, Egypt, Saudi Arabia and Yemen.

Dairy

The size of the livestock population, the natural endowment of favorable climatic condition for improved, high-yielding animal breeds, provides Ethiopia with significant potential to further develop its dairy sector.

Poultry

Demand for chicken products is growing quickly in Ethiopia. The Government recently set new targets to bring meat production to 164 tonnes and egg production to 3.9 billion eggs by 2020 through improved poultry breeds.

Honey

Varied agro-climatic conditions and biodiversity favours a diversity of honeybee flora and a large number of honeybee colonies. Ethiopia is the tenth largest honey producing country in the world and the largest in Africa. It ranks fourth in the world in terms of bee wax production and export.

Maize

Ethiopia produces more than six million tonnes annually and recently adopted improved inputs and technologies. Maize provides wide opportunity for establishment of both large and medium diversified industrial enterprises.

Tomato

Tomato is currently grown in almost all parts of Ethiopia. Provided that access to seed varieties and extension services are improved, major insects and diseases are controlled and harvesting and post-harvesting are optimized, yields of tomato can reach up to 80 tonnes per hectare which assures consistent and abundant supply.

Potato

The agro-ecology and soil conditions of Ethiopia are suitable for potato production. Compared to major cereals, potato is a short duration crop that can yield up to 30-35 tonnes per hectare during a three to four month growing period. Between 2008/09 and 2012/2013, the total production increased by 125% and yield by 44%.

01 Land developed plots

- We offer **developed land plots** of variable sizes to anchor tenants and large-scale manufacturers who wish to undertake construction
- Flexibility for both **lease and own options**

02 Built-up office space

- **Investment grade office space** of variable sizes with requisite facilities and amenities
- Availability of **lease and purchase options**

03 Pre-built factories

- **Single/multi-tenanted pre-built industrial units** of various sizes offered to investors
- Flexibility for both **lease and own models**

The Government of Ethiopia provides site infrastructure:

- Land
- Water
- Power
- Roads
- Telecommunication
- Capital contribution for IAIPs
- Government support to small and medium-sized enterprises
- Government support to foreign operations
- Logistical support
- One-stop-shop



	Type of payments	
	Service charges USD/month	Energy tariff USD/kwh
Industrial low voltage (three phase and active/ reactive)	2.5	0.018
Industrial high voltage (15KV) (three phase and active/reactive)	2.52	0.029
Industrial high voltage (132 KV)	2.52	0.032
(Three phase and active/ reactive) commercial-single phase	0.684	0.013 (<50), 0.017 (>50)
Commercial-three phase	1.05	
Commercial-active/reactive	1.65	
Street-light single phase	0.68	0.023

Factory rent 1 USD/m²

Water consumption (m ³)	USD/m ³
0-7	0.08
8-20	0.18
21-40	0.36
41-100	0.28
101-300	0.35
301-501	0.43
>501	0.54



Types of tax	Common rate
Corporate income tax	30%
Turn over tax	2% and 10%
Excise tax	10% to 100%
Customs duties (capital goods)	up to 35%
Income tax from employment	up to 35%
Withholding tax	2%
VAT	15%
Export tax	0% (with exception of hides and skins-150%)
Royalty tax	5%
Dividend tax	10%

University training programmes:

- Mechanical and electric engineering
- Design and construction
- Food and consumer goods technology
- Economics and management
- Service and hospitality
- Agricultural science
- Natural resource management
- Business administration and management



	Average payment USD/month
Agriculture, forestry, fishing	60
Mining and quarrying	101
Electricity, gas, steam and air conditioning supply	103
Construction	89
Transportation and storage	92
Information and communication	104
Finance and insurance activities	121
Professional scientific and technical activities	139
Administrative and support service activities	94
Manufacturing	65
Other service activities	59

Graduates from Ethiopian institutions

TVET	125,738
Graduate	8,021
Undergraduate	86,210

Source: Statistical Report on the 2014 urban employment unemployment survey

- Local population of 96.5 million (2014)
 - Population growth 2.5%
- Duty free access to U.S. market under African Growth and Opportunity Act (**AGOA**)
- Ethiopia concluded bilateral investment treaties (**BITs**) and double taxation treaties (**DTTs**) with a number of countries:
 - **BIT:** Algeria, Austria, Belgium, Luxembourg, China, Denmark, Egypt, Equatorial Guinea, Finland, France, Germany, India, Iran, Israel, Italy, Kuwait, Libya, Malaysia, Netherlands, Nigeria, Russian Federation, South Africa, Spain, Sudan, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, and Yemen.
 - **DTT:** China, Czech Republic, Iran, Israel, South Africa, Tunisia, Turkey, and United Kingdom.
- Everything but Arms Agreement (**EBA**) with the European Union
- Ethiopia is part of the **Cotonou** agreement between the European Union and the African, Caribbean and Pacific Group of States (ACP countries); and the
- Common Market for Eastern and Southern Africa (**COMESA**)
 - Free trade area
 - 19 African countries
 - Population of 470 million
- Investment guarantees
 - Ethiopia is a member of the Multilateral Investment Guarantee Agency, a World Bank affiliate, and a signatory to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States.

Land

- The Government of Ethiopia provides land for industrial park and manufacturing enterprises at a very low price

Income tax exemption

- Industrial park developers are exempt from income tax for 10 years if the park is developed within Addis Ababa or special zones of Oromia (surrounding Addis Ababa) and for 15 years if elsewhere

Customs duty

- Customs duty exemptions of up to 100% on imports of capital goods.
- Spare parts worth up to 15% of the total value of the imported investment capital goods.
- Investors granted with a customs duty exemption will be allowed to import capital goods duty free indefinitely if the investment is in the manufacturing and agriculture sectors.

- An investor entitled to a duty-free privilege who buys capital goods or construction material from local manufacturing industries will be refunded the customs duty paid for raw materials or components used as inputs for the production.

Other rights

- Design, construct, develop, exploit industrial park and provide services.
- Sub-lease developed industrial park.
- Rent or sell to industrial park enterprises immovable assets, buildings and rooms built within the industrial parks in accordance with the proportion specified in the regulation.
- Enter into a sub-lease agreement for the development, operation and promotion of industrial park.
- Participate in financial markets in order to obtain loans, fund guarantees and other financial resources.

Income tax exemption

Areas of investment	In Addis Ababa and surrounding	In other areas
Food industry	1 to 5 years	2 to 6 years
Beverage industry	1 to 3 years	2 to 4 years
Textiles and textiles products industry	2 to 5 years	3 to 6 years
Leather and leather products industry (except tanning of hides and skins below finished level)	2 to 5 years	3 to 6 years
Integrated manufacturing with agriculture	4 years	5 years

Loss carried forward

- Business enterprises that suffer losses during the income tax exemption period can carry forward losses, following the expiration of the income tax exemption period, for half of the tax exemption period.
- Investors who export 60% of their products or supplies to an exporter: exemption for additional 2 years.
- Investors investing in an industrial park and exporting 80% of their products: income tax exemption for an additional:
 - 2 years if the industrial park is located around Addis Ababa and the special zone of Oromia
 - 4 years if the industrial park is located in other areas

Fiscal export incentives

- Duty drawback scheme.
- Voucher scheme.
- Bonded factory and manufacturing warehouse schemes.
- Import opening charges (L/C, CAD, and advance payment) is 0.5% for exporters against 3.5% for others.

Non-fiscal export incentives

- Exporters are allowed to retain and deposit in a bank account up to 20% of their foreign exchange earnings for future use in the operation of their enterprises.
- Franco valuta import of raw materials are allowed for enterprises engaged in export processing.
- Exporters can benefit from the export credit guarantee scheme.

Remittance of capital

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:

- Profits and dividends
- Principals and interest payments on external loans
- Payments related to technology transfer agreements
- Proceeds from the sale or liquidation of an enterprise
- Compensation paid to an investor
- Proceeds from the sale or transfer of shares or partial ownership of an enterprise to a domestic investor

Other incentives

- The Government of Ethiopia provides incentives for further training and retraining of labour
- Financial support through financial institution, such as development banks, 25% of the total investment cost will be covered by the investors and 75% is handled by the bank (25/75)
- The enterprises within the IAIP that acquire land using right-at-market price should be allowed to use the right as a mortgage for loans
- One-stop administrative offices established by the Ethiopian Investment Commission in the industrial parks





Application should include*:

- Business plan
- Copies of constituent documents
- Copy of the certificate of incorporation
- Copy of tax registration certificate

* Investors will be supported by the Industrial Parks Development Agency at every stage



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